

Message Text

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PAGE 01 BERN 03425 281409Z
ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 AGRE-00 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 USIA-06
TRSE-00 XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01
NSC-05 SS-15 STR-04 CEA-01 L-03 H-01 PRS-01
ABF-01 FS-01 OPR-02 /089 W
-----114959 281438Z /46

P R 281400Z JUL 77
FM AMEMBASSY BERN
TO SECSTATE WASHDC PRIORITY 4696
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY PARIS

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PASS TREASURY AND FRB

EO 11652: N/A
TAGS: EFIN, SZ
SUBJ: DOLLAR EXCHANGE RATE FLUCTUATIONS

1. WERNER BAECHTOLD, HEAD OF FOREIGN EXCHANGE
DIVISION, SWISS NATIONAL BANK, ASKED EMBOFF
JULY 27 WHETHER EMBASSY HAS ANY INFO THAT
COULD CLARIFY APPARENT "CONFRONTATION" BETWEEN
FRB CHAIRMAN BURNS AND TREASURY SECRETARY
BLUMENTHAL REGARDING TREND OF DOLLAR EXCHANGE
RATE. BAECHTOLD STATED THAT DOLLAR RATE AGAINST
SWISS FRANC AND OTHER CURRENCIES APPEARED TO BE
REACTING TO CONTINUAL SERIES OF STATEMENTS BY
TREASURY SECRETARY THAT DOLLAR SHOULD DEPRECIATE.
BAECHTOLD SAID HE, THEREFORE, FOUND CONFUSING LATEST REPORT OF
STATEMENT BY CHAIRMAN BURNS THAT US HAS RESPONSIBILITY TO
SUPPORT INTEGRITY OF ITS CURRENCY.

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2. BAECHTOLD SAID HE FELT IT WOULD BE BETTER TO ALLOW
UNDERYLING ECONOMIC AND FINANCIAL CONDITIONS TO
DETERMINE EXCHANGE RATES, RATHER THAN DEPEND UPON
PUBLIC STATEMENTS FROM SENIOR GOVERNMENT OFFICIALS
TO AFFECT THE MARKET. HE ADDED THAT HIS
CALCULATIONS SHOWED THAT PRESENT DOLLAR VALUE

ON TRADE WEIGHTED BASIS WAS PRACTICALLY
UNCHANGED COMPARED TO END MAY. THIS, HE SAID
MADE STATEMENTS BY US OFFICIALS EVEN MORE
CONFUSING.

3. EMBOFF SAID THAT EMBASSY HAD NO OFFICIAL
INFO ON CHAIRMAN BURNS' STATEMENT, BUT
NOTED THAT JULY 26 REUTERS REPORT OF CHAIRMAN'S
APPEARANCE BEFORE HOUSE BANKING COMMITTEE
QUOTED CHAIRMAN AS SAYING THAT REASURY SECY
BLUMENTHAL'S VIEWS ON DOLLAR'S DECLINE HAVE BEEN
MISINTERPRETED. EMBOFF SUGGESTED, AS PERSONAL
OBSERVATION, THAT WHILE US AND OTHER COUNTRIES
AGREED AT JUNE OECD MINISTERIAL THAT CURENCIES OF
SURPLUS BALANCE OF PAYMENTS COUNTRIES SHOULD
APPRECIATE, US IS ALSO COMMITTED TO ORDERLY FOREIGN
EXCHANGE MARKETS.

4. BAECHTOLD NOTED THAT ZURICH FORIEGN EXCHANGE
MARKET WAS PARTICULARLY HECTIC AND NERVOUS. DOLLAR
RATE AGAINST SWISS FRANC OPENED JULY 26 AT ALL-TIME
LOW OF SF 2.3780 BUT ROSE TO SF 2.3817 BY CLOSING.
DOLLAR OPENED SF 2.3915 JULY 27 IN REACTION TO
CHAIRMAN BURNS' STATEMENT AND SOON ROSE FURTHER TO
SF 2.3980. HOWEVER, REACTION TO ANNOUNCEMENT OF
JUNE US TRADE DEFICIT BROUGHT RATE DOWN TO SF 2.3860
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AT CLOSING.
DAVIS

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, FOREIGN EXCHANGE RATES, REVALUATIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 28-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
Errors: N/A
Expiration:
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ISecure: 1
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Original Classification: LIMITED OFFICIAL USE
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Review Exemptions: n/a
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Review Release Date: n/a
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Secure: OPEN
Status: NATIVE
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TAGS: EFIN, SZ, US
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Type: TE
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